

**Hand Composite Employee Benefit Trust**  
**Royce Total Return Collective Trust Fund**  
Independent Auditor's Report and Financial Statements  
December 31, 2019



**Hand Composite Employee Benefit Trust**  
**December 31, 2019**

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## Independent Auditor's Report

Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

We have audited the accompanying financial statements of the Royce Total Return Collective Trust Fund ("Fund") included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which statements comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2019, and the related statements of operations and changes in net assets for the year then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Royce Total Return Collective Trust Fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2019, and the results of its operations and the changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of investment purchases and sales listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***BKD, LLP***

Houston, Texas  
May 29, 2020

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2019**

	<b>Royce Total Return Collective Trust Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 51,613,933
Investments, at fair value	\$ 81,275,874
Cash denominated in foreign currencies (cost - \$1,740)	1,336
Receivable for:	
Investment securities sold	46,872
Capital shares sold	10,491
Dividends and interest	134,010
Investment advisor	2,960
Total assets	\$ 81,471,543
<b>Liabilities</b>	
Payable for capital shares redeemed	\$ 3,965
Accounts payable and accrued liabilities	59,294
Total liabilities	\$ 63,259
Net assets held for participants:	
Class R – INSTL	\$ 70,254,886
Class R – LM	11,153,398
Total net assets held for participants	\$ 81,408,284
Units outstanding:	
Class R – INSTL	5,810,666
Class R – LM	897,586
Total units outstanding	6,708,252
Net asset value per unit:	
Class R – INSTL	\$ 12.09
Class R – LM	\$ 12.44

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Royce Total Return Collective Trust Fund**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
4,107,220	Dreyfus Treasury & Agency and Cash Mg	\$ 4,107,220	\$ 4,107,220
	Total Short Term Investment	5.05% 4,107,220	4,107,220
<b><u>Corporate Bond</u></b>			
123,100	Unit Corp 6.625% 05/15/2021 Dd 05/18/11	115,123	67,705
	Total Corporate Bond	0.08% 115,123	67,705
<b><u>Common Stock</u></b>			
<b><i>Consumer Discretionary</i></b>			
7,299	Acco Brands Corp	68,048	68,319
28,176	American Eagle Outfitters Inc	439,956	414,187
3,204	Aptargroup Inc	79,342	370,446
7,983	Bed Bath & Beyond Inc	116,736	138,106
5,323	Buckle Inc/the	62,677	143,934
15,616	Caleres Inc	284,061	370,880
3,694	Cato Corp/the	44,746	64,276
4,675	Chase Corp	153,929	553,894
6,262	Cheesecake Factory Inc/the	268,264	243,341
20,000	Designer Brands Inc	403,519	314,800
18,640	Ethan Allen Interiors Inc	300,698	355,278
10,421	Federal Signal Corp	272,794	336,077
6,892	Gannett Co Inc	43,075	43,971
17,211	Gentex Corp	189,227	498,775
10,941	Haynes International Inc	318,537	391,469
3,772	Herman Miller Inc	125,431	157,104
34	JG Boswell Co	20,500	20,400
45,129	Kimball International Inc	505,336	932,816
12,099	La-Z-Boy Inc	362,267	380,877
4,861	LCI Industries	413,879	520,759
1,668	Maximus Inc	28,114	124,083
21,825	Methode Electronics Inc	557,522	858,814

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Consumer Discretionary (Continued)</i>			
15,007	Miller Industries Inc/tn	\$ 267,566	\$ 557,210
5,400	Mobile Mini Inc	180,077	204,714
10,037	National Instruments Corp	329,281	424,967
3,449	Nu Skin Enterprises Inc	136,697	141,340
8,990	PC Connection Inc	240,346	446,446
18,014	Raven Industries Inc	169,998	620,762
14,157	Shoe Carnival Inc	441,015	527,773
161	Spectrum Brands Holdings Inc	8,050	10,351
3,537	Standard Motor Products Inc	82,852	188,239
1,966	Standex International Corp	79,593	156,002
8,386	Systemax Inc	116,310	210,992
4,111	Thor Industries Inc	320,042	305,406
22,854	Trinity Industries Inc	194,762	506,216
26,583	Vishay Intertechnology Inc	416,758	565,952
660	WD-40 Co	46,655	128,132
7,003	Woodward Inc	286,284	829,435
	Total Consumer Discretionary	16.15% <u>8,374,944</u>	<u>13,126,543</u>
<i>Consumer Staples</i>			
14,097	Flowers Foods Inc	185,747	306,469
23	Hershey Creamery Co	44,633	92,000
2,437	Lancaster Colony Corp	229,750	390,164
21,156	Tootsie Roll Industries Inc	505,625	722,266
7,611	Village Super Market Inc	197,146	176,575
	Total Consumer Staples	2.08% <u>1,162,901</u>	<u>1,687,474</u>
<i>Energy</i>			
1,251	Arch Coal Inc	98,941	89,747
6,849	DMC Global Inc	356,479	307,794
7,098	Futurefuel Corp	79,185	87,944

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Energy (Continued)</i>			
8,218	Helmerich & Payne Inc	\$ 215,786	\$ 373,344
3,803	PBF Energy Inc	105,185	119,300
24,520	Solaris Oilfield Infrastructur	352,257	343,280
	Total Energy	1.63% <u>1,207,833</u>	<u>1,321,409</u>
<i>Financials</i>			
5,760	Air Lease Corp	186,438	273,715
1,341	Alleghany Corp	307,645	1,072,223
13,117	Ames National Corp	269,970	368,063
49,077	Ares Management Corp	985,099	1,751,558
27,903	Associated Banc-corp	510,912	614,982
7,497	Associated Capital Group Inc	155,118	293,882
11,982	Bank Of Hawaii Corp	385,172	1,140,207
6,553	Bank OZK	171,832	199,899
4,458	Bar Harbor Bankshares	107,688	113,189
12,501	Bok Financial Corp	630,335	1,092,587
8,527	Camden National Corp	223,356	392,754
4,402	City Holding Co	141,888	360,744
13,841	CNB Financial Corp/pa	293,488	452,324
15,407	Cohen & Steers Inc	390,245	966,943
2,468	Employers Holdings Inc	51,906	103,039
7,597	Erie Indemnity Co	427,316	1,261,102
15	Farmers & Merchants Bank Of Lo	67,848	117,735
13,348	Federated Investors Inc	329,136	435,011
12,015	Financial Institutions Inc	358,619	385,682
5,573	First American Financial Corp	207,178	325,017
2,764	First Citizens Bancshares Inc/	651,702	1,471,028
950	First National Bank Alaska	134,961	230,850
3,789	First Of Long Island Corp/the	88,522	95,028
8,400	Golub Capital Bdc Inc	152,538	155,022
552	Horace Mann Educators Corp	16,800	24,100
12,799	Houlihan Lokey Inc	470,554	625,487
39,555	Kennedy-Wilson Holdings Inc	769,630	882,077
4,612	Mercury General Corp	186,215	224,743



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Financials (Continued)</i>			
10,103	Moelis & Co	\$ 361,135	\$ 322,488
5,434	National Bankshares Inc	172,119	244,150
17,884	New York Community Bancorp Inc	189,258	214,966
5,753	Northrim Bancorp Inc	160,285	220,340
19,066	Peapack Gladstone Financial Co	377,608	589,139
12,558	Proassurance Corp	519,109	453,846
17,831	Pzena Investment Management In	159,654	153,703
1,949	Reinsurance Group Of America I	289,023	317,804
5,678	Rli Corp	174,278	511,134
6,913	Southern Missouri Bancorp Inc	244,074	265,183
5,878	Timberland Bancorp Inc/wa	134,350	174,812
45,338	Trustco Bank Corp Ny	248,632	393,080
8,744	Unity Bancorp Inc	162,383	197,352
2,784	Universal Insurance Holdings I	35,915	77,924
38,237	Virtu Financial Inc	766,844	611,410
9,259	WSFS Financial Corp	369,346	407,303
	Total Financials	25.34% <u>13,036,124</u>	<u>20,583,625</u>
<i>Healthcare</i>			
292	Atrion Corp	101,793	219,438
9,528	Ensign Group Inc/the	363,492	432,285
4,421	Hill-Rom Holdings Inc	180,464	501,916
	Total Healthcare	1.42% <u>645,749</u>	<u>1,153,639</u>
<i>Industrials</i>			
16,778	ABM Industries Inc	273,566	632,698
2,200	Allegiant Travel Co	278,505	382,888
8,472	Apogee Enterprises Inc	331,156	275,340
1,517	Applied Industrial Technolog	38,128	101,169
7,451	Arcosa Inc	77,533	331,942
8,380	Argan Inc	344,666	336,373
5,755	Ennis Inc	99,256	124,596

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Industrials (Continued)</i>			
2,722	Exponent Inc	\$ 50,494	\$ 187,845
13,520	Gorman-rupp Co/the	194,700	507,000
15,037	Hawaiian Holdings Inc	467,875	440,434
9,509	Heico Corp	277,220	1,085,452
14,278	Heidrick & Struggles Internati	418,547	464,035
1,071	Kadant Inc	57,423	112,819
20,906	KBR Inc	284,517	637,633
5,395	KForce Inc	176,375	214,182
10,846	Korn Ferry	395,095	459,870
6,362	Lindsay Corp	274,717	610,688
6,194	Manpowergroup Inc	486,265	601,437
1,753	Nordson Corp	106,093	285,459
15,426	Rent-A-Center Inc/tx	393,849	444,886
13,627	Resources Connection Inc	234,150	222,529
6,891	Robert Half International Inc	364,523	435,167
13,186	Tennant Co	413,858	1,027,453
655	Tetra Tech Inc	28,665	56,435
7,567	Werner Enterprises Inc	228,963	275,363
	Total Industrials	12.62% <u>6,296,139</u>	<u>10,253,693</u>
<i>Information Technology</i>			
36,009	AVX Corp	413,200	737,104
11,580	Kulicke & Soffa Industries Inc	260,269	314,976
3,643	MKS Instruments Inc	329,701	400,766
	Total Information Technology	1.79% <u>1,003,170</u>	<u>1,452,846</u>
<i>Materials</i>			
4,440	Albemarle Corp	228,144	324,298
5,437	Balchem Corp	192,108	552,562
5,492	Carpenter Technology Corp	138,920	273,392
6,837	Domtar Corp	243,848	261,447
7,663	Minerals Technologies Inc	403,108	441,619

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Materials (Continued)</i>			
13,054	Mueller Industries Inc	\$ 240,500	\$ 414,465
1,190	Neenah Inc	64,620	83,812
6,649	Quaker Chemical Corp	499,050	1,093,893
552	Royal Gold Inc	25,008	67,482
1,112	Schweitzer-Mauduit Internation	28,064	46,693
13,810	Sonoco Products Co	499,256	852,353
17,701	Worthington Industries Inc	654,067	746,628
	Total Materials	6.35% <u>3,216,693</u>	<u>5,158,644</u>
<i>Real Estate</i>			
14,581	Lexington Realty Trust	106,515	154,850
11,331	McGrath Rentcorp	313,393	867,275
	Total Real Estate	1.26% <u>419,908</u>	<u>1,022,125</u>
<i>Telecommunication Services</i>			
7,208	ATN International Inc	244,236	399,251
6,431	Preformed Line Products Co	133,943	388,111
	Total Telecommunication Services	0.97% <u>378,179</u>	<u>787,362</u>
<i>Utilities</i>			
8,642	Allete Inc	500,952	701,471
17,966	Aqua America Inc	321,249	843,324
6,014	Enersys	379,298	450,028
15,170	Franklin Electric Co Inc	272,887	869,544
8,112	Hubbell Inc	507,387	1,199,116
5,980	Lincoln Electric Holdings Inc	174,475	578,445

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Utilities (Continued)</i>			
5,199	MSA Safety Inc	\$ 161,986	\$ 656,946
14,587	SJW Group	385,929	1,036,552
6,330	York Water Co/the	158,662	291,876
	Total Utilities	8.15% <u>2,862,825</u>	<u>6,627,302</u>
	Total Common Stock	77.76% <u>38,604,465</u>	<u>63,174,662</u>
<i><u>Foreign Stock</u></i>			
<i>Consumer Discretionary</i>			
5,221	Nokian Renkaat Oyj	140,379	150,206
	Total Consumer Discretionary	0.18% <u>140,379</u>	<u>150,206</u>
<i>Consumer Staples</i>			
3,891	Cia Cervecerias Unidas Sa	112,016	73,812
8,369	Fresh Del Monte Produce Inc	244,350	292,748
	Total Consumer Staples	0.45% <u>356,366</u>	<u>366,560</u>
<i>Energy</i>			
19,300	Pason Systems Inc	210,514	195,121
31,947	TGS Nopec Geophysical Co Asa	711,199	971,065
	Total Energy	1.43% <u>921,713</u>	<u>1,166,186</u>
<i>Financials</i>			
109,823	Ashmore Group Plc	455,322	753,628
14,458	Assured Guaranty Ltd	339,081	708,731
8,959	Bank of Nt Butterfield & Son L	299,545	331,662

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i>Financials (Continued)</i>			
211,479	Bolsa Mexicana De Valores Sab	\$ 350,814	\$ 465,648
23,434	Canadian Western Bank	263,319	576,295
2,006	E-I Financial Corp Ltd	837,514	1,282,339
18,999	Genworth Mi Canada Inc	366,391	832,484
9,314	James River Group Holdings Ltd	369,601	383,830
8,076	Lazard Ltd	277,294	322,717
10,662	Popular Inc	423,095	626,393
13,058	TMX Group Ltd	459,908	1,132,348
	Total Financials	9.12% <u>4,441,884</u>	<u>7,416,075</u>
<i>Industrials</i>			
23,524	Clarkson Plc	638,818	942,693
3,322	Franco-Nevada Corp	176,150	343,163
56,626	Gold Fields Ltd	195,459	373,732
28,166	Magellan Aerospace Corp	339,410	305,390
27,813	Ritchie Bros Auctioneers Inc	333,596	1,194,568
176,574	Sprott Inc	465,882	405,776
	Total Industrials	4.39% <u>2,149,315</u>	<u>3,565,322</u>
<i>Information Technology</i>			
49,342	Computer Modelling Group Ltd	251,892	312,775
	Total Information Technology	0.38% <u>251,892</u>	<u>312,775</u>
	Total Foreign Stock	15.95% <u>8,261,549</u>	<u>12,977,124</u>
<u><i>Exchange-traded Fund</i></u>			
<i>Fixed Income</i>			
7,359	Eagle Point Income Co Inc	146,371	138,018
	Total Fixed Income	0.17% <u>146,371</u>	<u>138,018</u>
	Total Exchange-traded Fund	0.17% <u>146,371</u>	<u>138,018</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2019**

Number of Shares		Cost	Fair Value
<i><u>Limited Partnerships</u></i>			
<i>Public Equity</i>			
19,007	Alliancebernstein Holding Lp	\$ 277,853	\$ 575,152
12,096	Dorchester Minerals Lp	101,352	235,993
	Total Public Equity	0.99% <u>379,205</u>	<u>811,145</u>
	Total Limited Partnerships	0.99% <u>379,205</u>	<u>811,145</u>
	Total Investments	100.00% <u>\$ 51,613,933</u>	<u>\$ 81,275,874</u>

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2019**

	<b>Royce Total Return Collective Trust Fund</b>
<b>Income</b>	
Interest	\$ 61,654
Dividends	1,914,491
Total income	1,976,145
<b>Expenses</b>	
Investment management and administrative	583,516
Custody fees	40,754
Audit fees	5,000
Other	111
Total expenses before reimbursement of fees	629,381
Reimbursement of fees	(32,798)
Net expenses	596,583
<b>Net Investment Income</b>	1,379,562
<b>Net Realized Gains (Losses) on Investments and Foreign Currency</b>	
Net realized gains on investments	3,920,728
Net realized losses on foreign currency transactions	(76,951)
Net realized gains on foreign currency forward exchange contracts	993
Net realized gains on investments and foreign currency	3,844,770
<b>Change in Unrealized Appreciation on Investments and Foreign Currency</b>	
Net change in unrealized appreciation on investments	10,558,880
Translation of assets and liabilities in foreign currencies	262,933
Change in unrealized appreciation on investments and foreign currency	10,821,813
Net realized and unrealized gains on investments and foreign currency	14,666,583
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 16,046,145

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2019**

	<b>Royce Total Return Collective Trust Fund</b>
<b>Operations</b>	
Net investment income	\$ 1,379,562
Net realized gains	3,844,770
Change in unrealized appreciation	10,821,813
Net increase in net assets from operations	16,046,145
<b>Net Decrease in Net Assets From Participant Transactions</b>	<u>(3,652,691)</u>
<b>Increase in Net Assets Held for Participants</b>	12,393,454
<b>Net Assets Held for Participants</b>	
Beginning of year	<u>69,014,830</u>
End of year	<u><u>\$ 81,408,284</u></u>



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2019

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Hand Composite Employee Benefit Trust ("HB&T" or "the Trust") was created in order to provide broad and uniform diversification programs for pension and profit sharing plans which, having complied with the requirements of the Internal Revenue Code (the IRC), are exempt from taxation under the provisions of the IRC. The Trust is comprised of 76 portfolios (the Funds); the financial statement of one of these funds are included in this report.

Each class of the Fund has equal rights as to earnings and assets except that each class bears different distribution, shareholder servicing and transfer agent expenses. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments and foreign currency are allocated to each class of units based on its relative net assets.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of investment income and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Investment Valuation***

All investments in securities are recorded at their estimated fair value. Transfers in and out of Level 1 (quoted market prices), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period-ending date.

#### ***Investment Transactions***

Investment transactions are accounted for on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are reported on the identified cost basis.

#### ***Foreign Currency***

Investment securities and other assets and liabilities denominated in, or expected to settle in, foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2019

The Fund isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held.

Reported net realized foreign exchange gains or losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, including investments in securities at December 31, 2019, resulting from changes in the exchange rates.

### ***Foreign Currency Forward Exchange Contracts***

The Fund may enter into foreign currency forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. The Fund's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market risk, credit risk or both kinds of risks in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and movement in currency and securities values and interest rates.

### ***Investment Income and Distribution of Income***

Dividend income less foreign taxes withheld, if any, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment income is allocated ratably on the valuation dates among all participants. No distributions are made to participants in the Fund until units owned are redeemed, at which time the market value of redeemed units is distributed. Investment income and realized gains (if any) earned by the Fund are reinvested, thereby increasing the respective unit values.

### ***Valuation of Participants' Interest***

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. The Fund is valued daily.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2019

### **Federal Income Taxes**

The Fund complies with the requirements under Section 501(a) of the IRC and apports all of its taxable income to its participants. Therefore, no federal income tax provision is required.

### **Subsequent Events**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Fund. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through May 29, 2020, which is the date the financial statements were available to be issued.

### **Investment Management Advisor**

The investment management advisor for the Fund is Royce & Associates, LLC.

## **Note 2: Investment Advisory Fees and Other Transactions With Affiliates**

The Fund is charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Fund also entered into investment advisory and service agreements with a third-party advisor. These fees compensate the advisor for the services it provides and for expenses borne by the advisor under the agreement.

During the year ended December 31, 2019, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

The following table indicates the fees charged to the Fund and the various classes of units within the Fund (as a percentage of net assets). These charges are calculated using the Fund's average daily net assets:

<b>Fund</b>	<b>Trustee/ Administrative Fees</b>	<b>Investment Management Fees</b>	<b>Custody Fees</b>	<b>Other Fees</b>	<b>Total Fees</b>
Royce Total Return Collective Trust Fund:					
Class R-INSTL	0.06%	0.80%	0.07%	0.01%	0.94%
Class R-LM	0.06%	0.00%	0.07%	0.01%	0.14%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2019

### Note 3: Financial Highlights

	<u>Class R-INSTL</u>	<u>Class R-LM</u>
	<u>Royce Total Return Collective Trust Fund</u>	<u>Royce Total Return Collective Trust Fund</u>
Net asset value, beginning of year	\$ 9.78	\$ 9.97
Net investment income	0.20	0.19
Net realized and unrealized gains	2.11	2.28
Net increase from investment operations	2.31	2.47
Net asset value, end of year	<u>\$ 12.09</u>	<u>\$ 12.44</u>
Total return	23.62%	24.77%
Ratio to average net assets:		
Net investment income	1.77%	1.69%
Expenses without reimbursements	0.91%	0.12%
Expenses with reimbursements	0.86%	0.12%

### Note 4: Participant Unit Transactions

	<u>Royce Total Return Collective Trust Fund</u>	
	<u>Units</u>	<u>Dollars</u>
<b>Class R-INSTL:</b>		
Proceeds from sales of units	454,798	\$ 5,122,239
Cost of units redeemed	<u>(740,741)</u>	<u>(8,267,184)</u>
Net change in Class R-INSTL from participant transactions	<u>(285,943)</u>	<u>(3,144,945)</u>
<b>Class R-LM:</b>		
Proceeds from sales of units	45,114	514,583
Cost of units redeemed	<u>(89,058)</u>	<u>(1,022,329)</u>
Net change in Class R-LM from participant transactions	<u>(43,944)</u>	<u>(507,746)</u>
Net decrease in net assets from participant transactions		<u>\$ (3,652,691)</u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2019

#### Note 5: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted prices in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of assets and liabilities, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended December 31, 2019.

**Short Term Investments.** Short term investments, including money market funds, for which market quotations are readily available, are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

**Corporate Bonds.** The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. These securities are categorized as Level 2 in the hierarchy.

**Common Stock, Foreign Stock and Limited Partnerships.** Securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depositary Receipts and the movement of certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as either Level 1 or 2 of the hierarchy.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2019

The following table presents the fair value measurements of assets recognized in the accompanying statement of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Royce Total Return Collective Trust Fund</b>				
Financial Instruments - Assets:				
Short Term Investment	\$ 4,107,220	\$ 4,107,220	\$ -	\$ -
Corporate Bond	67,705	-	67,705	-
Common Stock	63,174,662	63,174,662	-	-
Foreign Stock	12,977,124	12,977,124	-	-
Exchange-traded Fund - Fixed Income	138,018	138,018	-	-
Limited Partnerships - Public Equity	811,145	811,145	-	-
Total	<u>\$ 81,275,874</u>	<u>\$ 81,208,169</u>	<u>\$ 67,705</u>	<u>\$ 0</u>

## Note 6: Risk Factors

### *Investment Securities Risk*

The Fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of assets and liabilities.

### *Foreign Securities Risk*

Securities traded in foreign markets have often (though not always) performed differently from securities traded in the United States. However, such investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. In particular, the Fund is subject to the risk that because there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, it may be more difficult for the Fund to buy and sell securities on those exchanges. In addition, prices of foreign securities may go up and down more than prices of securities traded in the United States.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2019

### ***Currency Risk***

Securities and other instruments in which the Fund invests may be denominated or quoted in currencies other than the U.S. dollar. Changes in foreign currency exchange rates may affect the value of the Fund's portfolio. Because the Fund's assets are primarily invested in securities of foreign countries, the U.S. dollar equivalent of the Fund's net assets would be adversely affected by reductions in the value of the foreign currencies relative to the U.S. dollar. For this reason, changes in foreign currency exchange rates can affect the value of the Fund's portfolio.

Generally, when the U.S. dollar rises in value against a foreign currency, a security denominated in that currency loses value because the currency is worth fewer U.S. dollars. Conversely, when the U.S. dollar decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more U.S. dollars. This risk, generally known as "currency risk," means that a strong U.S. dollar may reduce returns for U.S. investors in foreign stocks, while a weak U.S. dollar may increase those returns.

## **Supplemental Information**



**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales**  
**Royce Total Return Collective Trust Fund**  
**Year Ended December 31, 2019**

**Purchases**

<b>Investment Class</b>	<b>Cost</b>
Common Stock	\$ 17,379,717
Foreign Stock	3,632,178
Exchange-traded Funds – Fixed Income	146,371
Limited Partnerships – Public Equity	119,221
Total Investments Purchased	<u>\$ 21,277,487</u>

**Sales**

<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Common Stock	\$ 19,970,941	\$ 16,141,908	\$ 3,829,033
Foreign Stock	3,120,897	3,194,818	(73,921)
Limited Partnerships – Public Equity	905,595	739,979	165,616
Total Investments Sold	<u>\$ 23,997,433</u>	<u>\$ 20,076,705</u>	<u>\$ 3,920,728</u>